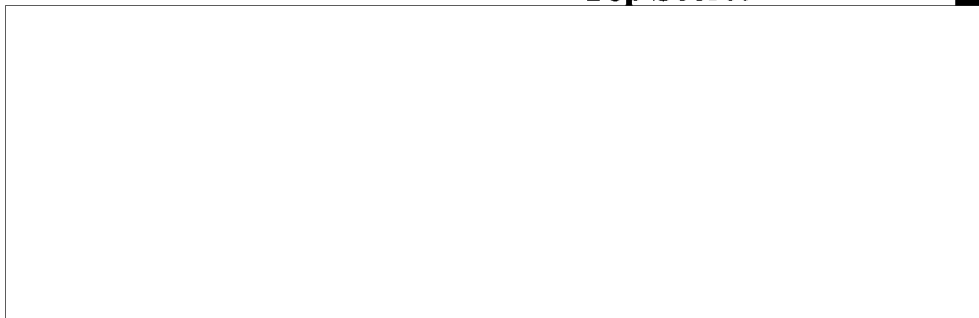




**Director of
Central
Intelligence**

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National Intelligence Daily

***Saturday
20 March 1982***

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CONFIDENTIAL

20 March 1982

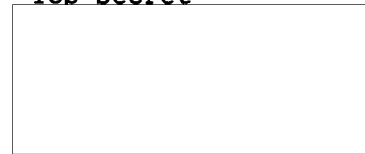
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25X1

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Top Secret



25X1

Contents



25X1

2 USSR-Syria: *Possible Soviet Military Assistance* 3

3 USSR: *Financing for Grain Purchases* 4

25X1



6 Poland: *Party Factionalism* 7



25X1
25X6

8 France: *Cantonal Elections* 9



25X6

10 Romania-US: *Concern Over Relations* 10



25X1

12 International: *Law of the Sea Conference* 11

13 Kampuchea-Vietnam: *Anti-Communist Base Falls* 12



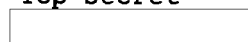
25X6

Special Analysis

15 International: *Reactions to Mexican Peace Plan* 13



Top Secret



20 March 1982

25X1

25X1

Page Denied

Next 2 Page(s) In Document Denied

Top Secret

25X1

② USSR-SYRIA: Possible Soviet Military Assistance

An East European diplomat in Damascus on Wednesday told a US Embassy official that Moscow has promised to assist the Syrian military if Israel attacks missile sites in Lebanon or along the Syrian-Lebanese border. [redacted]

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According to the diplomat, Moscow promised to provide personnel to assist surface-to-air missile crews in Syria and to help Syrian Air Force ground controllers. Soviet Air Force commander Kutakhov was in Syria last week and met with Defense Minister Tlass and President Assad, but there were no indications that such promises were made. [redacted]

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Comment: The alleged Soviet promises would be a departure from previous Soviet messages to Damascus regarding Lebanon. Since the Syrian-Israeli confrontation in Lebanon last year, Moscow has indicated that its support would be limited to military resupply in the event of a conflict in Lebanon. Moreover, following Israel's annexation of the Golan Heights, Moscow has been encouraging Syria to pursue a political rather than military strategy against Israel. [redacted]

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If true, the diplomat's report would indicate the Soviets are seeking to demonstrate Soviet reliability to Damascus by promising to take specific actions in response to possible Israeli moves. To date Moscow reportedly has promised only in general terms that it would take military action in the event of a major Israeli attack on Syria. [redacted]

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③ USSR: Financing for Grain Purchases

The USSR's cash payments problem is forcing Moscow to turn to costly short-term financing to pay for Western grain. [redacted]

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French bankers reportedly have granted a 150-day, 15-percent commercial credit--at the going market rate--for purchasing nearly \$75 million worth of US corn, bringing to at least \$1 billion the short-term financing the USSR has secured to cover grain purchases since 1 October. [redacted]

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The Soviets in the past have paid cash for virtually all of their grain purchases. This year, however, they have arranged financing for about one-fifth of the \$5 billion worth of grain already contracted for or actually received from Western exporters since October. They are expected to order an additional 11 million tons--worth about \$1.5 billion--by the end of September. [redacted]

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[redacted] the French Government has said that it would provide government-guaranteed credits for future sales of French grain. Moscow already has requested officially backed credits for grain purchases from Argentina. [redacted]

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Comment: Faced with its hard currency shortages, the USSR probably will continue to rely heavily on short-term Western bank credits to finance its grain bill over the next few months. Access to official French credits would save the USSR about 4 to 5 percentage points in financing transactions for French grain. [redacted]

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Top Secret

20 March 1982

25X6

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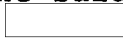


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(b) POLAND: Party Factionalism

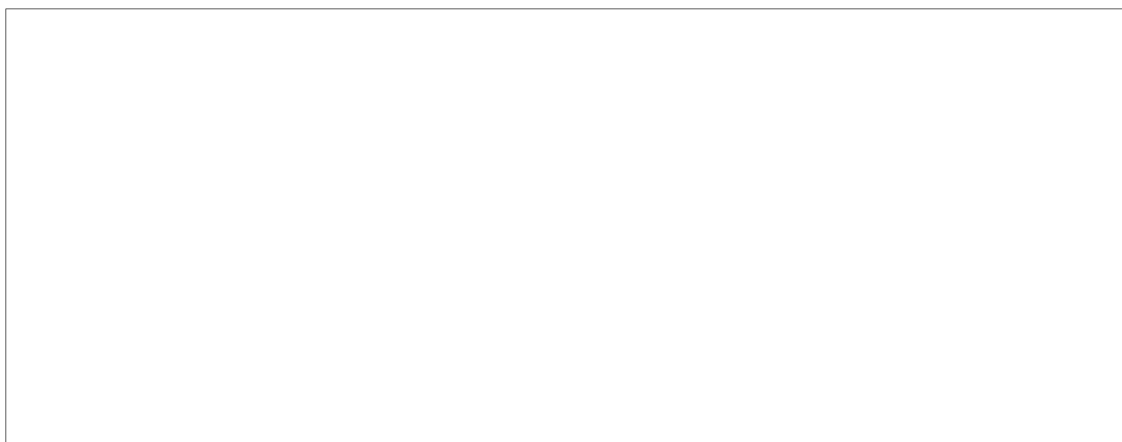
Factional disputes in the Communist Party ensure a lengthy political role for the military as well as continuing tension between the party and military. 


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The head of the party's watchdog Control Committee yesterday implicitly criticized the party organization in Warsaw for its tough and inflexible policy and for endangering the ideological unity of the party. He said that the party must agree on fundamental issues. 

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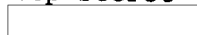
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Comment: The clash between hardline and moderate elements may resume at the next Central Committee plenum, probably in a few weeks. The inability of the party to resolve its differences at the top prevents it from being effective at the grass-roots level. Military leaders, aware of the party's weaknesses, believe that they will have to play an important political role indefinitely, and this is likely to increase tension with party stalwarts who believe they are being preempted. 

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20 March 1982

25X6

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⑧ FRANCE: Cantonal Elections

French voters return to the polls tomorrow for the runoff round in the cantonal elections.

In the preliminary round last Sunday, the center and rightist parties narrowly edged out the leftists, 49.9 percent to 49.6 percent. President Mitterrand's Socialists led all parties with 29.9 percent, their best showing ever at this level but well below the 37.5 percent they won in the national election last spring. The Communists' 15.9-percent share repeated their poor showing last year.

Giscard forces led the center and rightist parties with 18.8 percent of the vote, followed by the Gaullists with just under 18 percent. Former President Giscard won handily.

The Socialists are disappointed, although they paced the field. Both they and the opposition view the cantonal elections as a referendum on Socialist policies at the national level. President Mitterrand called the first-round results a failure, even though his firm grip on power at the national level is not directly affected.

Comment: The slim margin of victory provides added incentive for cooperation between Gaullist and Giscard forces. For the left as a whole, the first round is being compared to the 55 percent it won in the legislative elections last June and the 52.5 percent it won in most of these same cantons in 1976, and the results will be considered a setback. The key is the drop in support for the Communists, who last week attracted 7 percent less of the vote than in 1976.

The left probably will fall well short of its goal of controlling a majority of the departmental council presidencies, despite the government's recent reapportionment of the cantons and the closeness of the popular vote. This would be particularly disappointing in view of the newly enacted Socialist measure giving greater powers to council presidents.

Top Secret

20 March 1982

Top Secret

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(16) ROMANIA-US: Concern Over Relations

The Romanians are moving to counter a perceived US retreat from the "special relationship" that they believe they have had with the US. An official close to President Ceausescu recently told the US Ambassador that the proposed replacement of Romania's Ambassador to the US with a more polished diplomat who "knows America" comes at a "crucial moment" in bilateral relations. Meanwhile, the Romanians have suggested a visit to the US by a reputed close economic adviser to Ceausescu and the senior officials responsible for relations with the US in the Ministries of Foreign Affairs and Foreign Trade to gather information about US concerns and views. In addition, the Minister of Finance, who will be in Washington next week for talks at the IMF, has proposed meetings with senior US officials to discuss Romania's financial problems.

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Comment: The Romanians appear embarrassed and angered by the recent US publicity about Romania's financial difficulties and the apparent reluctance of their "friends" in the US to come to their aid. Bucharest seems to be counting on improved communication with Washington to strengthen prospects for getting financial support but remains unwilling to make needed changes in economic policies.

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INTERNATIONAL: Law of the Sea Conference

The initiative in the Law of the Sea Conference passed this week to an ad hoc group of 10 nations led by Australia, Canada, Denmark, and Norway. The conference leadership has accepted the group's offer to draft compromise proposals on seabed mining to help narrow the gap between the major industrial states and the Group of 77. Earlier the developing countries had rejected the US amendments, which would guarantee access to seabed mineral deposits and assure the US a voice in the new international authority commensurate with US economic interests. Support for the US by the UK, West Germany, France, Japan, Belgium, and Italy, who plan to sponsor corporate miners, kept the issue open. [REDACTED]

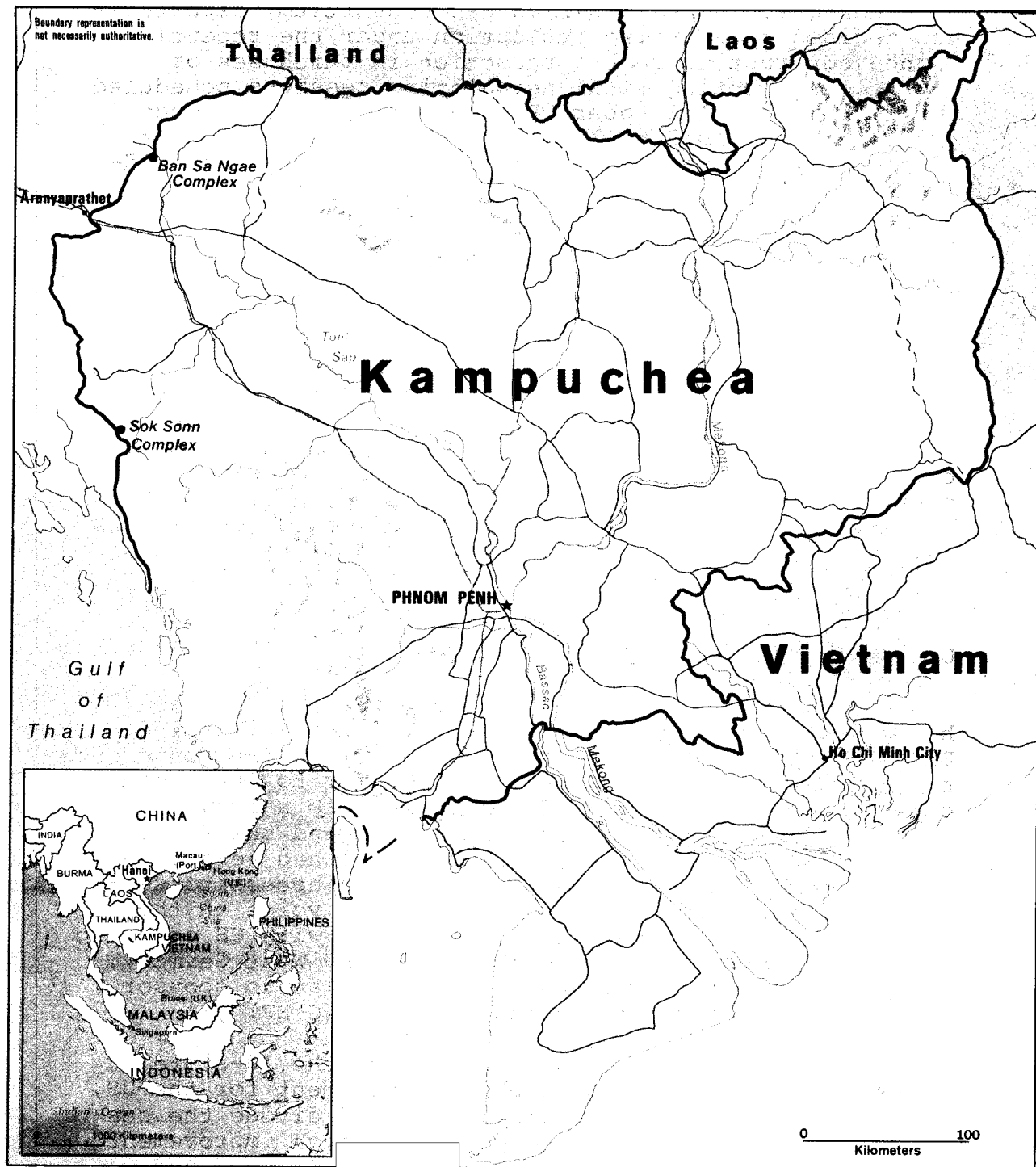
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Comment: Although the creation of the 10-state group is a potentially favorable development for the US, the members may produce texts that would divide the seabed miners. The group might propose enough improvement in the seabed provisions to lure the UK, France, and Japan away from the US, West Germany, and Belgium--the severest critics of the draft convention. [REDACTED]

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(13)

KAMPUCHEA-VIETNAM: Anti-Communist Base Falls

Vietnamese forces on Wednesday overran Sok Sonn, the strongest anti-Communist resistance base in Kampuchea. The base was the southern headquarters of Son Sann's Khmer People's National Liberation Front. It was defended by approximately 1,600 military personnel, about 20 percent of the Front's forces. Press reports claim that several thousand civilians from Sok Sonn have fled toward the Thai border.

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Comment: The Vietnamese now may concentrate more forces against the Front's only other major base opposite the Thai village at Ban Sa Ngae, where approximately 5,000 resistance troops are located. A major battle there could involve Thai troops. The loss of Sok Sonn could cause Singapore and Malaysia to abandon plans to provide arms and other material to build up the Front as an alternative to the Democratic Kampuchean resistance forces.

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20 March 1982

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**Key elements of
Lopez Portillo's
speech
21 February 1982,
Managua, Nicaragua**

*** El Salvador:** "Between elections without negotiation and negotiation without elections, there is undoubtedly a solution consisting of a commitment to a constituent assembly. I do not wish to go into this in detail at this time."

*** Nicaragua:** "The US Government must rule out all threat or use of force against Nicaragua."

"If the bands of Somozist guardsmen operating along the border between Honduras and Nicaragua are disarmed and the training of similar groups within the United States is brought to an end . . . one could believe that the Nicaraguan Government will simultaneously give up both the purchase of weapons and airplanes and the use of its scarce resources to maintain military troops on a scale that worries bordering and nearby countries."

"I believe that it is feasible and desirable to draft a system of nonaggression pacts between Nicaragua and the United States . . . and between Nicaragua and its neighbors . . ."

*** US-Cuba:** "I believe that if [Cuba and the US] were to follow the path opened by the talks between the US Secretary of State and the Cuban Vice President, there would be real possibilities for dialogue to be converted into negotiations . . . We emphatically accept the possibility that Mexico may play a more active role in this regard."

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[redacted]

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SPECIAL ANALYSIS

(15)

INTERNATIONAL: Reactions to Mexican Peace Plan

President Lopez Portillo's peace plan for Central America has elicited a positive reaction in Western Europe and the USSR. The few Latin American official responses also are mainly favorable, with El Salvador the notable exception. [redacted]

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The plan for easing regional tensions, which was outlined in a speech by the Mexican President last month in Managua, seeks to promote a US-Cuban dialogue, an improvement in relations between Nicaragua and the US, and a negotiated settlement in El Salvador. His proposals concentrate on Nicaragua, calling for US renunciation of the use of force there and for curbing anti-Sandinista elements based in Honduras and the US. [redacted]

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In return, the Sandinistas would reduce their armed forces and weapons inventory. These arrangements would be confirmed through nonaggression pacts among Nicaragua, its neighbors, and the US. Mexican Foreign Secretary Castaneda has subsequently added that Managua also should cease aiding insurgents in Central America. [redacted]

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In Central America, reactions to the plan are mixed and limited. Salvadoran President Duarte implies that it is naive to expect Marxist revolutionaries to act in good faith and to believe that Mexico has leverage over such groups. Duarte rules out negotiations with the insurgents but still calls for a dialogue that would lead to a cease-fire and an amnesty for those guerrillas who accept the democratic process. [redacted]

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A member of Nicaragua's junta yesterday indicated that his government supports Lopez Portillo's proposal. The government-owned TV network on Wednesday reported that the meetings between Secretary of State Haig and Castaneda apparently resulted in a new US willingness to negotiate if Nicaragua would sign nonaggression agreements in exchange for a cessation of US support for anti-Sandinista operations. [redacted]

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The Sandinistas, however, believe that their own five-point proposal made in February was a major peace offering. It proposed nonaggression and mutual security

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[redacted]

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agreements with Honduras and Costa Rica but did not mention limiting the military buildup or aid to the Salvadoran insurgents. Moreover, Sandinista leaders were distressed by Lopez Portillo's mention of Nicaraguan arms reduction in his speech. [REDACTED]

Costa Rica's generally favorable reaction to the Mexican plan reflects its alarm over Nicaragua's military buildup and concern that conflict will spill across its borders. President-elect Monge also apparently worries that a rightist electoral victory in El Salvador would strengthen the insurgents and ultimately force US intervention. He appears to see a solution in El Salvador as central to preventing East-West conflict in the region and has asserted that postelection negotiations between the new government and the insurgents are imperative. [REDACTED]

In the Caribbean, the Jamaican Government is likely to share the US position. Although Dominican President Guzman probably will also support US policy, most members of his party will back the Mexican plan. Grenada has publicly supported the plan, and Suriname's self-proclaimed revolutionary leaders are likely to adopt the same posture. [REDACTED]

Cuban and Soviet Reactions

Lopez Portillo's speech received Havana's supreme stamp of approval--publication in full the following day in the Communist party's daily newspaper. President Castro's message of congratulation to Lopez Portillo pledged cooperation in bringing peace to the region but offered no specifics. Instead, it put conditions on Cuba's participation that Castro knows would be unacceptable to the US. [REDACTED]

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Top Secret

20 March 1982

Top Secret

Castro's warm treatment of the initiative is designed primarily to obtain maximum propaganda mileage. Havana probably also sees it as a useful way to buy time for the Sandinistas to consolidate their rule and for other insurgents in the region to mobilize world public opinion against US involvement. [redacted]

The USSR quickly welcomed Lopez Portillo's "sensible proposals," but it has recently become more cautious, partly because of misgivings about restricting Nicaragua's military buildup. Nonetheless, the Soviets hope to woo Mexico by taking a generally favorable attitude. [redacted]

The Soviets are carefully supporting only certain ideas in the proposals, but they are using them to contrast their advocacy of peace in Central America with US reluctance to accept the Mexican package. Moscow probably believes that the proposals would restrict Washington's actions and would stimulate a domestic debate in the US over possible settlement terms. [redacted]

West European Attitudes

The plan is drawing wide support from both conservatives and socialists in Western Europe. They believe that Mexico, with its regional power and foreign policy independence, is especially well placed to lead a mediation effort. [redacted]

President Mitterrand endorses the initiative, arguing that the current tension has to be reduced through negotiations between the US and Nicaragua. France also believes that it has a special relationship with Mexico. [redacted]

[redacted]

Moderate British Labor Party leader Denis Healey has introduced a parliamentary resolution supporting the proposal. [redacted]

[redacted]

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20 March 1982

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